

Message Text

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ACTION AID-59

INFO OCT-01 EUR-12 ISO-00 EB-07 IGA-02 L-03 AGR-05 SP-02

SSO-00 PRS-01 COME-00 FRB-03 TRSE-00 SAM-01 SS-15

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O 091630Z MAR 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 6280

LIMITED OFFICIAL USE SECTION 1 OF 2 LISBON 1507

E.O. 11652: N/A

TAGS: EAID, PO

SUBJ: P.L. 480 TITLE 1 PROPOSED FY 76 AGREEMENT

REF: (A) STATE 30891, (B) STATE 15418, (C) STATE 16510

1. PORTUGUESE DELEGATION HAS REQUESTED FOLLOWING CHANGES IN
P.L. 480 TEXT CONTAINED IN AIDTO CIRCULAR 487 OF JULY 6,
1974, AND IN "PART 11 - PARTICULAR PROVISIONS."

A. DELETION OF PARAGRAPH 2 OF PREAMBLE WHICH READS:

"TAKING INTO ACCOUNT THE IMPORTANCE . . . OF FOOD PRODUCTION
AND POSSIBLE GROWTH;". IT ALSO REQUESTS ELIMINATION FROM
PARAGRAPH 3 IN PREAMBLE OF PHRASE "TO COMBAT HUNGER AND MAL-
NUTRITION IN THE DEVELOPING COUNTRIES,; AND SUB-
STITUTION OF THE WORD "FRIENDLY" IN PLACE OF "THESE" IN LINE 3.
PORTUGUESE DELEGATION REQUESTS THESE CHANGES ON THE
GROUNDS THAT THESE PORTIONS ARE NOT APPLICABLE TO
PORTUGAL. IN ADDITION, THE AGREEMENT WILL EVENTUALLY BE
TRANSLATED INTO PORTUGUESE AND PUBLISHED. GOP BELIEVES THAT
INCLUSION OF THESE PORTIONS MAY LEAD TO A MISINTERPRETATION
BY THE PUBLIC. EMBASSY CONCUS IN GOP RECOMMENDATION.

B. IN ARTICLE 11, SUBSECTION F - SALES PROCEEDS,
GOP DELEGATION REQUESTS THAT THE FOLLOWING PORTION BE
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ELIMINATED FROM LINES 19, 20 AND 21: ", CERTIFIED BY THE

APPROPRIATE AUDIT AUTHORITY OF THE GOVERNMENT OF THE IMPORTING COUNTRY." THIS REQUEST BASED ON FACT THAT IMPORTS WILL BE UNDERTAKEN BY CEREALS INSTITUTE, WHOSE REVENUES AND EXPENDITURES ARE NOT PART OF THE CENTRAL GOVERNMENT BUDGET. COP HAS NO CENTRALIZED AUDIT AUTHORITY WHICH WOULD BE EMPOWERED TO CERTIFY REPORT ON THESE FINANCIAL OPERATIONS BY THE CEREALS INSTITUTE. THE "TRIBUNAL DE CONTAS" REVIEWS AND CERTIFIES ONLY EXPENDITURES RELATED TO CENTRAL GOVERNMENT BUDGET. PORTUGUESE DELEGATION PROPOSES THAT REPORTS REQUESTED IN THIS SUBSECTION WOULD BE PROVIDED BY THE CEREALS INSTITUTE AND THE MINISTRY OF AGRICULTURE, VIA THE MINISTRY OF FINANCE. EMBASSY CONCURS IN THIS RECOMMENDATION.

C. IN ARTICLE 11, SUBSECTION A, PARAGRAPH 2, PORTUGUESE DELEGATION WISHES TO REMOVE "CONTAINS A FAIR SHARE OF" AND TO REPLACE THIS PHRASE WITH "CAN COMPETE ON AN EQUAL BASIS FOR". PORTUGUESE DELEGATION FIRMLY ASSERTS THAT ORIGINAL LANGUAGE IS UNACCEPTABLY VAGUE AND INDEFINABLE. SUBSTITUTE LANGUAGE INDICATES GOP WILLINGNESS TO INSURE U.S. EXPORTERS FAIR ACCESS TO THE PORTUGUESE MARKET. EMBASSY CONCURS IN THIS RECOMMENDATION.

D. IN PART 11, SECTION 11 - PAYMENTS TERMS, NUMBER 5, PORTUGUESE DELEGATION REQUESTS THAT FIRST INSTALLMENT PAYMENT TAKE PLACE TWO YEARS FROM DATE OF LAST DELIVERY IN THE CALENDAR YEAR. THIS SUGGESTION UNDOUBTEDLY AROSE AFTER PORTUGUESE DELEGATION HAS READ SECTION 106(A) OF P.L. 480. PORTUGUESE SPOKESMEN HAD EARLIER CONCURRED IN ONE-YEAR GRACE PERIOD. EMBASSY BELIEVES GOP WOULD NOT INSIST ON TWO-YEAR GRACE PERIOD, BUT SUGGESTS THAT EXTENSION OF GRACE PERIOD BE GRANTED IF SUCH ACTION WOULD CAUSE USG NO SIGNIFICANT PROBLEM.

E. IN PART 11, SECTION 5 -SELF-HELP MEASURES, A, PORTUGUESE DELEGATION PROPOSES THE FOLLOWING CHANGES:

1. IN SECOND PARAGRAPH ELIMINATE LAST TWO WORDS "URBAN POOR" AND SUBSTITUTE THE WORDS "LOWEST INCOME SECTORS".

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2. IN PARAGRAPH 3 ELIMINATE INITIAL PHRASE "BROADEN LAND REFORM AND". SENTENCE WOULD THUS READ: "PROMOTE PRODUCTIVITY AND EFFICIENCY THROUGH COOPERATIVE." FOREGOING CHANGES REQUESTED BECAUSE OF PORTUGUESE SENSITIVITIES, BOTH POLITICAL AND SOCIAL, TO THE POSSIBLE CEITICISM WHEN TEXT OF AGREEMENT IS PUBLISHED IN PORTUGAL. EMBASSY CONCURS.

3. PORTUGUESE DELEGATION REQUESTS ELIMINATION OF PARAGRAPH 4 PROPOSING INTRODUCTION OF SUGAR BEEN CULTIVATION AND CONSTRUCTION OF A STORAGE FACILITY IN OPORTO. THE EXISTANCE OF DIVERGENT PROPOSALS FOR THESE TWO PROJECTS AND LACK OF A DEFINITE GOP DECISION INDICATE THAT NO ACTION IS LIKELY ON THESE PROJECTS DURING THE NEXT 12 TO 24 MONTHS. INSERTION OF THIS PARAGRAPH WOULD, GOP DELEGATION MAINTAINS, BE MISLEADING. EMBASSY CONCURS. IF PARAGRAPH 4 IS ELIMINATED, NUMERATION OF REMAINING THREE PARAGRAPHS MUST BE ALTERED ACCORDINGLY.

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F. PORTUGUESE DELEGATION REQUESTS THAT THE WORD "POOR" WHICH APPEARS TWICE IN PART 11, SECTION 5, - SELF-HELP MEASURES, B, THIRD LINE, BE ELIMINATED. IN THE FIRST CASE, "POOR" SHOULD BE REPLACED BY "THE LEAST DEVELOPED" AND THE SECOND "POOR" SHOULD BE REPLACED BY "LOWEST INCOME SECTORS". LINE 3 WOULD THUS READ: "PROGRESS IN THE LEAST DEVELOPED RURAL AREAS AND ON ENABLING THE LOWEST INCOME SECTORS TO PARTICIPATE". EMBASSY CONCURS.

G. GOP DELEGATION REQUESTS THAT THE WORD "POOREST" IN PART 11, SECTION 6 - SELF-HELP MEASURES, PARA B, LINE 2, BE REPLACED BY "LOWEST INCOME SECTORS".

2. DURING COURSE OF DISCUSSIONS, PORTUGUESE DELEGATION HAS,

NOTWITHSTANDING STATEMENT IN ARTICLE 11, PARA D - CREDIT PROVISIONS, ASKED WHETHER P.L. 480 CREDIT CANNOT BE UTILIZED TO FINANCE NORMAL SHIPPING COSTS. QUESTION AROSE BECAUSE 1972 AGREEMENT SOMEWHAT CONFUSING. TEXT OF 1972 ACCORD STATED SHIPPING COSTS WOULD NOT BE FINANCED, BUT ANNEX THERETO INDICATED THAT P.L. 480 CREDIT WOULD FINANCE SUCH OUTLAYS. U.S. DELEGATION AFFIRMED THAT CREDIT CANNOT BE USED FOR SUCH PURPOSES BUT PROMISED TO OBTAIN OFFICIAL WASHINGTON OPINION. EMBASSY WOULD APPRECIATE CONFIRMATION OF ITS INTERPRETATION.

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3. PORTUGUESE DELEGATION EXPRESSED SOME CONCERN ABOUT ARTICLE 11, SUBSECTION B - PRIVATE TRADE. ACCORDING TO GOP NORMAL PROCEDURES, RICE IMPORTS WILL BE DISTRIBUTED ON PRE-FIXED QUOTA BASIS TO MILLERS. AFTER MILLING, RICE WILL BE DISTRIBUTED TO CONSUMERS THROUGH PRIVATE MARKETING SYSTEM. IF THIS PROCEDURE DOES NOT CONFLICT WITH OBJECTIVE SOUGHT BY PARA B, PORTUGUESE DELEGATION PREPARED TO ACCEPT PARA B AS DRAFTED. IF POSSIBILITY FOR CONFLICT OF INTERPRETATION MIGHT ARISE IN THE FUTURE, PORTUGUESE DELEGATION SUGGESTS THAT THE FOLLOWING PHRASE BE ADDED TO PARA B: "WITHIN THE CONTEXT OF THEIR RESPECTIVE TRADE LEGISLATION".

4. BOTH DELEGATIONS EXPRESSED TANTATIVE BELIEF THAT AGREEMENT WILL BE READY FOR MINISTER OF FINANCE SALGADO ZENHA TO SIGN DURING HIS VISIT TO WASHINGTON. IF THAT PROCEDURE CAN BE IMPLEMENTED, AND EMBASSY SINCERELY HOPES IT WILL BE, WE WILL CABLE WASHINGTON AS SOON AS OUR TWO DELEGATIONS HAVE REACHED COMPLETE AGREEMENT. DEPARTMENT WOULD HAVE TO PREPARE TWO ORIGINAL COPIES OF THE AGREEMENT IN ENGLISH. EMBASSY WOULD HOPE TO RECEIVE PRESS RELEASE FROM WASHINGTON FOR DISTRIBUTION AT TIME OF SIGNING OR SHORTLY THEREAFTER.

5. EMBASSY WOULD APPRECIATE RECEIVING DEPARTMENT'S APPROVAL ASAP FOR CHANGES SUGGESTED ABOVE. DELEGATIONS TENTATIVELY SCHEDULED TO MEET AFTERNOON OF WEDNESDAY, MARCH 10.
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